

The Committee has been active in the day-to-day course of the Cases. The Committee received authorization to retain and has retained the law firms of Jones, Day, Reavis & Pogue and Morris, Nichols, Arsht & Tunnel, as co-counsel, and Paul, Weiss, Rifkind, Wharton & Garrison, as FCC counsel. The Committee also received authorization to retain and has retained Houlihan Lokey Howard & Zukin as financial advisors and investment bankers. The fees and expenses of the Committee's professionals are paid by the Debtors.

3. Operating Results During Chapter 11.

Since the Petition Date, the Debtors have filed Monthly Operating Reports with the U.S. Trustee. These Operating Reports are public documents and are available at the Office of the U.S. Trustee.

As of June 30, 1998, there were no outstanding funded borrowings under the DIP Facility (described below) and the Debtors had approximately \$11.6 million in cash and cash equivalents on hand.

4. Summary of Significant Orders Entered and Other Actions Taken During the Cases.

As in any major chapter 11 case, certain motions, applications and orders have been filed and entered on the Bankruptcy Court's official docket. The following information relates to certain significant events in the Cases.

(a) *DIP Facility.* On the Petition Date, the Bankruptcy Court provided interim authority for the Debtors' entry into a Revolving Credit and Guarantee Agreement dated as of January 30, 1997 (as amended, the "DIP Credit Agreement") that provided for a \$200 million secured, superpriority post-petition financing facility (the "DIP Facility") with a number of financial institutions (the "DIP Lenders") and The Chase Manhattan Bank, as agent for the DIP Lenders (the "DIP Agent"). On February 19, 1997, the Debtors obtained final approval of the DIP Facility. In accordance with the terms of the various orders approving the DIP Facility (the "DIP Approval Orders"), the Debtors have been paying interest and fees to the DIP Lenders in accordance with the terms of the DIP Facility and have made monthly payments, in an amount equal to the interest accruing at the non-default rate under the 1995 Credit Agreement, to the Pre-Petition Lenders as adequate protection for the priming liens granted to the DIP Lenders and for the use of cash collateral. Through June 30, 1998, the Debtors had paid \$1.6 million in interest to the DIP Lenders and \$94.18 million in adequate protection payments to the Pre-Petition Lenders, in each case in accordance with the DIP Approval Orders. The initial payment to the Pre-Petition Lenders included the payment of amounts in arrears from October 7, 1996 through the Petition Date in accordance with the initial DIP Approval Order. During the Cases, the Debtors have borrowed and repaid various amounts under the DIP Facility. As of June 30, 1998, there were no outstanding funded borrowings under the DIP Facility.

Pursuant to the terms of the DIP Credit Agreement, the DIP Facility was to mature on January 30, 1998 unless, on or before December 31, 1997, the Debtors filed a plan of reorganization satisfactory to two-thirds in amount and one-half in number of the DIP Lenders, in which case the Maturity Date under and as defined in the DIP Credit Agreement would automatically be extended to July 31, 1998. No such plan was filed by December 31, 1997, but, pursuant to a Fourth Amendment to the DIP Credit Agreement dated January 22, 1998, the DIP Lenders agreed to extend the maturity of the DIP Facility until July 31, 1998, and, at the request of the Debtors, the facility was reduced to \$100 million. Interim approval of the extension of the DIP Facility was granted by the Bankruptcy Court on January 27, 1998, which approval became final on February 13, 1998. Pursuant to a Seventh Amendment to the DIP Credit Agreement dated July 23, 1998, the DIP Lenders agreed to extend the maturity of the DIP Facility until March 31, 1999 and, at the request of the Debtors, the facility was further reduced to \$75 million. Interim approval of this second extension and reduction of the DIP Facility was granted by the Bankruptcy Court on July 28, 1998, which approval became final on August 12, 1998.

The Chase Manhattan Bank, as Pre-Petition Agent and DIP Agent, has remained active in the day-to-day course of the Cases. Moreover, in its capacity as DIP Agent, The Chase Manhattan Bank has retained certain advisors, including Simpson Thacher & Bartlett and Richards, Layton & Finger, as co-counsel, and Wilmer Cutler & Pickering, as FCC counsel. The DIP Agent has also retained Arthur Andersen LLP and Chilmark Partners as financial advisors. The costs of these professionals are being borne by the Debtors in accordance with the terms of the DIP Credit Agreement and the DIP Approval Orders.

(b) *Exclusivity Orders.* Upon motions of the Debtors, the Bankruptcy Court extended the Debtors' exclusive periods for filing a plan of reorganization and soliciting acceptances thereof to January 27, 1998 and March 30, 1998, respectively. As noted above, the Plan was filed on January 27, 1998, within the exclusive filing period. By order of the Bankruptcy Court entered March 18, 1998, the Debtors' exclusive solicitation period was extended until June 30, 1998; by order dated June 25, 1998, the Debtors' exclusive solicitation period was extended until July 31, 1998. By order dated August 14, 1998, the Debtors' exclusive solicitation period was extended until September 30, 1998. The Plan was filed prior to the expiration of exclusivity.

(c) *Customer, Key Supplier and Employee Orders.* On the Petition Date, the Bankruptcy Court also entered orders allowing the Debtors (i) to pay certain customer refunds and deposits in the ordinary course of business, (ii) to pay wages, salaries and benefits owing to employees, and (iii) to pay specified pre-petition taxes owing to various governmental entities. On February 6, 1997, the Bankruptcy Court entered an order authorizing the Debtors to pay approximately \$46 million in pre-petition amounts owing to the Key Suppliers. On January 8, 1998, the Bankruptcy Court authorized the Debtors to enter into a telecommunications contract with MCI Telecommunications Corporation that effects the consolidation of the Debtors' long-distance telephone service and which the Debtors estimate will result in cost savings for the Debtors of up to \$10 million over its 21-month term.

On April 3, 1997, the Bankruptcy Court authorized the Debtors to implement a new severance plan, and on May 2, 1997, the Bankruptcy Court authorized the Debtors to pay up to \$3.1 million on account of their 1996 employee bonus program. On June 4, 1997, the Bankruptcy Court authorized the Debtors to employ Ronald R. Grawert as their Chief Executive Officer and approved a compensation package in respect of the services of Joseph A. Bondi, the Debtors' Chairman-Restructuring. On March 18, 1998, the Bankruptcy Court approved the Debtors' 1997 bonus incentive plan, which permitted the Debtors to make payments up to an aggregate amount of \$6.9 million to all of the Debtors' full-time, non-commission-based employees. On June 25, 1998, the Bankruptcy Court authorized the Debtors to make up to \$7.6 million in payments under their 1998 bonus incentive plan. The Debtors expect to make the payments earned under this plan in the second quarter of 1999.

On April 22, 1998, the Debtors filed a motion seeking authority to undertake the buildout of the network necessary to support narrowband PCS services. An order authorizing the Debtors to enter in contracts during 1998 obligating the Debtors to pay up to \$16 million in connection with this buildout was entered by the Bankruptcy Court on May 12, 1998.

(d) *Administrative Orders.* On the Petition Date, the Bankruptcy Court granted the Debtors' motion to extend the Debtors' time to file their Schedules of Assets, Liabilities and Executory Contracts, and the Statement of Financial Affairs. The joint Schedules of Assets, Liabilities and Executory Contracts, and the joint Statement of Financial Affairs were filed with the Bankruptcy Court on March 26, 1997, and were amended by the Debtors' First and Second Amendments to Schedules of Assets, Liabilities and Executory Contracts (as so amended, the "Schedules").

On March 20, 1997, the Bankruptcy Court entered an order setting a bar date of June 16, 1997 for the filing of certain proofs of claim.

On March 18, 1998, the Bankruptcy Court authorized the Debtors to pay up to \$7 million on account of the Debtors' pre-petition property taxes. As of July 15, 1998, the Debtors had paid approximately \$6.1 million on account of pre-petition property tax claims.

(e) *Real Property and other Leases.* The Bankruptcy Court has extended the period during which the Debtors can decide whether to assume or reject non-residential real property leases of the Debtors to the confirmation date of the Plan. During the course of the Cases, the Debtors have obtained Bankruptcy Court approval to reject certain specified leases. As of June 30, 1998, 121 leases had been rejected with Bankruptcy Court approval.

On January 22, 1998, the Bankruptcy Court approved the Debtors' entry into a lease with Miller Freeman, Inc. (the "Fort Lee Lease"). Pursuant to the Fort Lee Lease, the Debtors relocated their headquarters to Fort Lee, New Jersey as of March 23, 1998, resulting in cost savings to the Debtors of approximately \$3 million over the term of the Fort Lee Lease. On

March 18, 1998, the Bankruptcy Court approved the assignment of the lease for the premises that previously served as the Debtors' headquarters.

On April 14, 1998, the Bankruptcy Court approved the Debtors' motion to assume the lease for the premises that serves as their Dallas, Texas customer service center.

(f) *Administrative Claims.* Administrative expenses payable in the Cases include, among other things, fees and expenses of attorneys, accountants, financial advisors and other professionals retained by the Debtors, the Committee and the DIP Agent in connection with the Cases (collectively, the "Case Professionals"). Such fees are calculated generally as the product of the customary hourly billing rates and the aggregate hours billed by such Case Professionals. Some financial advisors are paid a monthly fee plus expenses incurred, rather than on an hourly basis. As of June 30, 1998, \$25.5 million had been paid to Case Professionals on account of work performed subsequent to the Petition Date.

All unpaid fees of the U.S. Trustee will be paid on the Effective Date. Such fees have been paid as they accrued during the pendency of the Cases.

(g) *Sale of Owned Tower Assets.* On July 7, 1998, the Debtors executed an agreement, subject to Bankruptcy Court approval, to sell the Debtors' transmission towers and associated assets ("Tower Assets") to Pinnacle Towers Inc. ("Pinnacle"), and to rent from Pinnacle transmitter space on the Tower Assets (the "Tower Transaction"). The purchase price for the Tower Assets is \$170 million, and the projected annual rental stream to be paid by the Debtors to Pinnacle is approximately \$10.7 million. The proceeds of the Tower Sale will be paid to the Pre-Petition Lenders, which Lenders have liens on all of the assets being sold.

The Tower Transaction is the product of an extensive marketing and bidding process conducted by the Debtors and Blackstone. Prior to executing the agreement with Pinnacle, Blackstone, on behalf of the Debtors, contacted approximately 40 potential buyers of the Tower Assets and executed confidentiality agreements with, and distributed Tower Asset information to, approximately 30 of these potential buyers. After the potential buyers' review of public and non-public operating and financial information concerning the Tower Assets, Blackstone requested preliminary expressions of interest from such third parties including, but not limited to, their proposed acquisition price for the Tower Assets and sources of financing for the acquisition. Subsequent to the Debtors' receipt and review of preliminary expressions of interest, potential purchasers continued to conduct due diligence, including on-site review of the Tower Assets. During such period, Blackstone continued to negotiate with Pinnacle and other potential purchasers the respective terms and conditions for the Acquisition of the Tower Assets. After extensive negotiations, the Debtors and Blackstone determined that Pinnacle's offer represented the highest and best offer.

In connection with the agreement to sell the tower assets to Pinnacle, the Debtors filed two motions on July 14, 1998. One motion sought to establish procedures for bidding on the

Tower Assets, including establishing a bidding deadline of August 7, 1998, and provided for liquidated damages and the reimbursement of expenses to Pinnacle under certain circumstances. This relief was granted on July 23, 1998. No bids were received by the bidding deadline. The second motion sought Bankruptcy Court approval of the Tower Transaction, and authority to pay the sale proceeds to the Pre-Petition Lenders. The relief requested in this Motion was granted on August 10, 1998. The Debtors currently anticipate closing the Tower Transaction by the end of August.

(h) *Potential Committee Litigation.* At a hearing held before the Bankruptcy Court on January 27, 1998, counsel to the Committee indicated its intention immediately to serve discovery demands in connection with a potential objection to the Initial Plan as filed on January 27, 1998. The Committee's ex parte order authorizing discovery under Bankruptcy Rule 2004 was approved by the Bankruptcy Court on February 5, 1998, and the Committee subsequently served subpoenas for the production of documents on MobileMedia and other parties. The production of documents by the respondents was largely completed during March, although issues pertaining to the production of certain privileged documents have yet to be resolved. On April 1, the Committee also served requests to conduct the depositions of numerous individuals, including members of MobileMedia's management, board of directors, professionals involved in the reorganization proceedings and members of the steering committee for MobileMedia's pre- and post-petition secured lenders. If the Plan is confirmed, this litigation will terminate.

(i) *Agreement with Committee.* Under an agreement dated as of August 18, 1998 between the Debtors and the Committee (the "Committee Agreement"), the Debtors cannot, without either the consent of the Committee or the approval of the Bankruptcy Court: (a) terminate the Merger Agreement or withdraw the Plan; (b) knowingly take any action that would give Arch the right to terminate the Merger Agreement; (c) agree to any material modification to the Merger Agreement; or (d) make any material modification to the Plan. In addition, the Committee has the right to request that the Debtors terminate the Merger Agreement and, if the Debtors disagree with such termination, to request that the Bankruptcy Court order the Debtors to do so.

(j) *Approval of Initial Merger Motion.* On August 20, 1998, as required by the Merger Agreement, the Debtors filed a motion (the "Initial Merger Motion") seeking Bankruptcy Court approval of the provisions of the Merger Agreement that relate to the Debtors' and Arch's agreements to pay to one another "breakup fees" in certain circumstances, to the Debtors' agreement to pay \$500,000 to Arch in partial reimbursement of its expenses in connection with the negotiation and execution of the Merger Agreement and to the exclusive dealing provisions of the Merger Agreement. The Initial Merger Motion also seeks the approval of the Bankruptcy Court for the Debtors' agreement to waive their rights to assert claims against Arch's accountants in connection with such accountants having provided Ernst & Young, LLP, the Debtors' accountants, access to certain confidential work papers in connection with the due diligence of Arch undertaken by the Debtors. Finally, the Initial Merger Motion seeks approval of

the Committee Agreement. A hearing on the Initial Merger Motion is scheduled for September 1, 1998.

III. BUSINESS OF ARCH

Arch is a leading provider of wireless messaging services, primarily paging services, and is the second largest paging company in the United States, based on EBITDA. Arch had 4.1 million pagers in service at June 30, 1998. Arch operates in 41 states and more than 180 of the 200 largest markets in the United States. Arch offers local, regional and nationwide paging services employing digital networks covering approximately 85% of the United States population. Arch offers four types of paging services through its networks: digital display, alphanumeric display, tone-only and tone-plus-voice. Arch also offers enhanced and complementary services, including voice mail, personalized greeting, message storage and retrieval, pager loss protection and pager maintenance.

Arch has achieved significant growth in pagers in service and EBITDA through a combination of internal growth and acquisitions. From January 1, 1995 through June 30, 1998, Arch's total number of subscribers grew at a compound rate on an annualized basis of 79%. For the same period on an annualized basis, Arch's compound rate of internal subscriber growth (excluding pagers added through acquisitions) was 56.1%. From commencement of operations in September 1986, Arch has completed 33 acquisitions representing an aggregate of 1.7 million pagers in service at the time of purchase. For the twelve months ended June 30, 1998, Arch's total revenues were \$408.2 million, representing a compound growth rate on an annualized basis of 61.7% since January 1, 1995. For the same period, Arch's EBITDA was \$136.2 million, representing a compound growth rate on an annualized basis of 78.4% since January 1, 1995.

Arch's strategic objective is to strengthen its position as one of the leading nationwide paging companies in the United States. Arch believes that larger, multi-market paging companies enjoy a number of competitive advantages, including: (i) operating efficiencies resulting from more intensive utilization of existing paging systems; (ii) economies of scale in purchasing and administration; (iii) broader geographic coverage of paging systems; (iv) greater access to capital markets and lower costs of capital; (v) the ability to obtain additional radio spectrum; (vi) the ability to offer high-quality services at competitive prices; and (vii) enhanced ability to attract and retain management personnel. Arch believes that the current size and scope of its operations afford it many of these advantages and that it has the scope and presence to effectively compete on a national level.

IV. ACQUISITION OF THE DEBTORS BY ARCH AND FUTURE BUSINESS OF THE REORGANIZED DEBTORS

A. Attempts to Sell Debtors' Business

During the pendency of the Cases, Blackstone, the Debtors' financial advisors and investment bankers, conducted an extensive search for a third party purchaser of the Debtors' business. To this end, Blackstone met with representatives of prospective purchasers, and a number of prospective purchasers conducted "due diligence" reviews of the Debtors. By letter dated August 26, 1997, the Debtors formally solicited preliminary proposals from prospective purchasers. In response, the Debtors received preliminary conditional proposals from certain prospective purchasers, including a proposal received from Arch by letter dated September 24, 1997. Upon receipt of the proposals, the Debtors' management and Blackstone provided the financial advisors to the Committee and the Pre-Petition Agent with information regarding the proposals, and engaged in discussions with the Committee and the Pre-Petition Agent (and their respective advisors) regarding the proposals. At the same time, the Debtors and Blackstone had numerous conversations with the parties making the proposals in order to clarify the terms of the proposals and to provide such parties with the Debtors' reactions to the proposals.

Subsequent to these discussions, the Debtors and Blackstone engaged in further extensive negotiations and discussions with various parties that had expressed an interest in a business combination with the Debtors. The Debtors and their professionals assisted these parties in conducting further due diligence on the Debtors. On January 27, 1998, having determined that none of the proposals received from third parties were superior to the standalone plan of reorganization that the Debtors had formulated, the Debtors filed the Initial Plan. The Initial Plan had the support of the Agent for the Debtors' Pre-Petition Lenders but was opposed by the Committee.

Subsequent to the filing of the Initial Plan, various third parties contacted the Debtors regarding possible transactions and the Debtors continued to engage in discussions and negotiations with such parties. By letter dated March 17, 1998, Arch (having entered into an agreement with Huff, Northwestern (each as defined below) and the Committee regarding a potential transaction relating to the Debtors) submitted a revised proposal for a business combination with the Debtors. Subsequent to that date, Arch and the Debtors each conducted due diligence and Arch, the Debtors, the Pre-Petition Agent and the Committee engaged in lengthy negotiations in connection with the form of the proposed transaction and the form and amount of the consideration to be provided by Arch.

After an extended period of negotiation and analysis, and after consultation with the Committee and the Pre-Petition Agent and their respective financial advisors, the Debtors determined that the agreement ultimately reached with Arch (as reflected in the Merger Agreement and the Plan) represented the highest and best offer received and was superior to the Initial Plan.

B. Capitalization and Structure of the Reorganized Debtors

Section 4.2(B) of the Plan provides that effective as of the Effective Date but immediately following the discharge of the Debtors described in Section 6.1 of the Plan, each of the following transactions will occur in the order listed: (i) MobileMedia will contribute all of its assets¹³ to Communications and thereafter immediately dissolve, at which time the separate corporate existence of MobileMedia will cease; (ii) Communications will merge with and into Merger Subsidiary, and the separate corporate existence of Communications will cease as contemplated by the Merger Agreement; (iii) MCCA will merge with and into a special purpose Delaware corporation formed by Communications and a wholly owned direct subsidiary of Merger Subsidiary as a result of the merger described in clause (ii) of this section ("Delaware Subsidiary Co."); (iv) a number of merger transactions will be effected such that all of the Debtors (other than MobileMedia, Communications and MCCA) will be merged with and into Delaware Subsidiary Co.; and (v) Delaware Subsidiary Co. (as successor to MCCA) will organize License Co. L.L.C. as a wholly owned limited liability company of Delaware Subsidiary Co. (as successor to MCCA) and will transfer the Licenses then held by it to License Co. L.L.C. Notwithstanding the foregoing, Arch and the Reorganized Debtors retain their right to make such changes in the post-Effective Date corporate structure of Arch and the Reorganized Debtors as is determined in the business judgment of Arch and Reorganized Communications.

In addition to the survivor of the merger of Communications and Merger Subsidiary, Arch will have other operating subsidiaries subsequent to the Merger.

C. Composition of Management and Directors of the Reorganized Debtors

Pursuant to Section 4.2(C)(3) of the Plan, the directors and officers of each Debtor will continue to serve in such capacities until the Effective Date. As of the Effective Date, the directors and officers of each Debtor that is not a Reorganized Debtor will be terminated, the directors and officers of Merger Subsidiary immediately prior to the Effective Date will become the directors and officers of Reorganized Communications, and the directors and officers of Delaware Subsidiary Co. immediately prior to the Effective Date will become the directors and officers of Reorganized MCCA. The Debtors will file with the Bankruptcy Court no later than ten (10) Business Days prior to the Voting Deadline a statement setting forth the office, the names and affiliations of, and the compensation proposed to be paid to, the individuals intended to serve as directors and officers of each Reorganized Debtor, as well as of Arch, on and after the Effective Date. Pursuant to the transactions contemplated under the Plan, a designee of each of Huff and Whippoorwill (each as defined below) will be elected to the Arch board of directors on the Effective Date. On and after the Effective Date, each Reorganized Debtor will be governed

¹³ To the extent the issues arising in connection with the Locate Entities have not been resolved in the separate bankruptcy proceeding of the Locate Entities, the contributed assets of MobileMedia will include its equity interests in the Locate Entities.

in accordance with such Reorganized Debtor's Certificate of Incorporation, as amended, in the case of Merger Subsidiary, by the Certificate of Merger relating to the Merger.

D. Summary of the Merger Agreement

The following is a brief summary of certain provisions of the Merger Agreement, which is attached hereto as Exhibit B and is incorporated herein by reference. This summary is qualified in its entirety by reference to the Merger Agreement.

1. The Merger.

The Merger Agreement provides that, following the satisfaction of certain specified conditions, including, without limitation, approval of the Plan by the Bankruptcy Court, Communications will merge with and into Merger Subsidiary, a wholly-owned subsidiary of Arch, with Merger Subsidiary being the surviving entity, which will then be renamed "MobileMedia Communications, Inc." or such other name as Arch will determine prior to the Effective Date.

2. Funding for the Plan and Merger Agreement.

Arch intends to finance a portion of the cash necessary to fund the Plan and consummate the Merger through an offering to holders of Allowed Class 6 Claims of transferable rights (the "Rights") to purchase (a) an aggregate number of Arch Capital Shares equal to 34.3%-52.1%¹⁴ of the anticipated outstanding Arch Capital Shares on the Effective Date (on a Diluted Basis) and (b) warrants to purchase an aggregate number of Arch Common Shares equal to 2.5% of the anticipated outstanding Arch Capital Shares on the Effective Date (on a Fully Diluted Basis) (the "Arch Warrants"). In connection with the offering of the Rights and the Units, Arch has filed the Registration Statement with the SEC under the Securities Act and will use its best efforts to have the Registration Statement declared effective by the SEC as promptly as practicable. Arch has agreed to cause the Rights to be issued as soon as practicable after the date the Registration Statement becomes effective, but not before approval of this Disclosure Statement by the Bankruptcy Court.

Contemporaneously with the execution and delivery of the Merger Agreement, four groups of holders of Class 6 Claims (the "Standby Purchasers") -- W.R. Huff Asset Management Co., L.L.C., as agent for various discretionary accounts and affiliates ("Huff"), The Northwestern Mutual Life Insurance Company and an affiliate (together, "Northwestern"), Credit Suisse First Boston Corporation and Whippoorwill Associates, Inc., as agent for various discretionary accounts ("Whippoorwill") -- have entered into binding written commitments (the "Standby Purchase Commitments") to become Standby Purchasers and, in such capacity, to purchase, (a) their respective allocations as holders of Class 6 Claims of Rights and (b) the Arch

¹⁴ Such percentage will be fixed prior to soliciting votes on the Plan based on the pricing mechanism set forth in Schedule II to the Merger Agreement.

Capital Shares and Arch Warrants not purchased by other Class 6 Creditors or their transferees pursuant to the Rights for an aggregate purchase price of up to \$217 million. In consideration of their purchase commitments contained in the Standby Purchase Commitments, the Standby Purchasers will be issued Arch Warrants to purchase an aggregate number of Arch Common Shares equal to 2.5% of the anticipated outstanding Arch Common Shares on the Effective Date on a Fully Diluted basis. The Standby Purchase Commitments require Arch to cause one nominee of Huff and one nominee of Whippoorwill to be elected as directors of Arch for as long as Huff and Whippoorwill hold specified percentages of Arch's equity securities. Arch also will enter into a Registration Rights Agreement, substantially in the form attached as Exhibit C to the Merger Agreement, with the Standby Purchasers (the "Standby Purchaser Registration Rights Agreement").

In the event that the purchase of Arch Common Shares by the Standby Purchasers described above would cause the Standby Purchasers (including certain other persons and affiliates) in the aggregate, to beneficially own more than 49% of the securities of Arch entitled to vote in the election of directors and outstanding on the Effective Date or more than 49% of the total voting power of the capital stock of Arch, the Standby Purchasers will receive, proportionate to their obligations to purchase Units and in lieu of Arch Common Shares, Arch Class B Common Shares such that the Standby Purchasers, in the aggregate, will beneficially own shares representing not more than 49% of the capital stock of Arch generally entitled to vote in the election of directors and not more than 49% of the total voting power of the capital stock of Arch. The Arch Class B Common Shares are not entitled to vote in the election of directors and have voting rights equal to 1% of the voting rights of Arch Common Shares on all other matters. Upon transfer of the Arch Class B Common Shares from the Standby Purchasers to any other person, the shares will convert automatically into Arch Common Shares.

The obligations of each Standby Purchaser under its Standby Purchase Commitment are subject to a number of conditions, including without limitation: (i) that the Confirmation Order, in a form reasonably satisfactory to the Standby Purchaser, shall have been entered and shall have become a Final Order (as defined in the Merger Agreement), provided that one Standby Purchaser may not assert this condition if all other Standby Purchasers, acting in good faith, have waived the requirement of finality; (ii) the satisfaction or, with the written consent of the Standby Purchaser, waiver of all conditions precedent to the obligations of each of the parties to the Merger Agreement and all conditions precedent to the effectiveness of the Plan (provided, that certain conditions may be waived without the written consent of the Standby Purchaser); (iii) the Shelf Registration Statement covering the resale of Arch Common Shares, Arch Class B Common Shares and Arch Warrants by the Standby Purchasers shall be effective; (iv) Arch shall have executed the Standby Purchaser Registration Rights Agreement; (v) any and all amendments or modifications to the Merger Agreement or any consents or waivers delivered by Arch or MobileMedia to the other under the Merger Agreement (with certain exceptions), shall have been satisfactory to the Standby Purchaser; (vi) the representations and warranties made in the Merger Agreement by Arch and MobileMedia shall have been accurate; (vii) Arch shall have obtained the necessary financing to consummate the Merger (other than as a result of the Standby

Purchaser not fulfilling its commitment) on certain minimum terms; (viii) each other Standby Purchaser shall have fulfilled its commitment; (ix) the Rights, Arch Common Shares, Arch Class B Common Shares and the Arch Warrants shall be issued and distributed pursuant to an exemption from registration under the Securities Act pursuant to section 1145 of the Code or shall have been registered under the Securities Act, such Registration Statement shall have been declared effective and no stop order shall be in effect; (x) an FCC order approving the transfer of the Debtors' licenses and terminating the pending proceedings shall have become a Final Order (as defined in the Merger Agreement), provided that a Standby Purchaser may not assert this condition if each other Standby Purchaser, acting in good faith, shall have waived this provision or if the reason that the FCC order shall not have become a Final Order is a result of action taken by any present or former officer of MobileMedia considered or determined by the FCC to be an alleged or an actual wrongdoer for purposes of the FCC proceeding; and (xi) any applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act") shall have expired or been terminated early. The obligations of each Standby Purchaser are also subject to the condition that there shall not have occurred between June 30, 1998 and the Confirmation Date (and between June 30, 1998 and the Effective Date if the Effective Date is more than 90 days after the Confirmation Date), (i) any event or events (other than those that affecting generally the economy or the industry in which Arch and the Debtors conduct their respective businesses) that has had or would have a material adverse effect on the business, assets (including licenses, franchises and other intangible assets), financial condition, operating income or prospects of the Reorganized Debtors and Arch (the "Combined Company"), (ii) any event or events involving a regulatory or statutory change and effecting generally the industry in which Arch and MobileMedia conduct their respective businesses which would materially and adversely affect the ability of the Combined Company to operate its business, or (iii) an event or events affecting generally the industry in which Arch and MobileMedia conduct their respective businesses but would not materially and adversely affect the ability of Combined Company to operate its business (except that a Standby Purchaser may not assert such condition if each of the other Standby Purchasers shall have waived this condition).

In addition, each Standby Purchase Commitment will terminate (i) if the Tower Transaction is terminated (unless the Debtors have entered into an agreement with a third-party purchaser providing for a sale to such third party of all substantially all of the Tower Assets resulting in net proceeds of not less than \$165 million), (ii) on December 31, 1998, unless the Debtors have sold the Tower Assets for not less than \$165 million on or before such date, (iii) on March 31, 1999, unless the Confirmation Order shall have been entered by the Bankruptcy Court on or before such date, (iv) on June 30, 1999, unless the effectiveness of the Plan occurs on or before such date, or (v) if not theretofore terminated pursuant to one of the foregoing clauses, on the date on which the Merger Agreement is terminated in accordance with the terms thereof.

The proceeds of the Rights Offering, together with any amounts paid by the Standby Purchasers under the Standby Purchase Commitments, if necessary, will equal \$217 million.

Arch intends to borrow the remaining funds necessary to consummate the Merger and make the distributions provided for under the Plan under its existing credit facility, as amended, and one or more bridge or permanent debt facilities. These borrowings are expected to aggregate \$347 million.

3. Effective Date.

The Merger will be consummated (which consummation will be on the Effective Date of the Plan) if and when each of the conditions described in Section IV.D.10 below is satisfied or (where permissible) waived, and the parties file the Certificate of Merger with the Secretary of State of the State of Delaware. The Merger will become effective upon the filing of the Certificate of Merger with such Secretary of State or at such later time as may be provided for in the Certificate of Merger.

4. Representations and Warranties.

In the Merger Agreement, each of MobileMedia Communications and Arch has made certain representations and warranties regarding, among other things: (i) their respective organization, qualification, corporate power and authority to enter into and perform their respective obligations under the Merger Agreement; (ii) capitalization; (iii) the compliance of the transactions contemplated by the Merger Agreement with their respective certificates of incorporation and by-laws, certain contracts and applicable laws; (iv) subsidiaries; (v) the accuracy of their respective financial statements; (vi) the absence of certain specified types of changes in the business, assets (including licenses, franchises and other intangible assets), financial condition, operating income and prospects of each party and their respective subsidiaries, taken as a whole; (vii) the absence of undisclosed liabilities; (viii) taxes; (ix) tangible assets; (x) owned real property; (xi) intellectual property; (xii) real property leases; (xiii) certain contracts that are material to the respective parties; (xiv) the possession of licenses and authorizations; (xv) the absence of litigation; (xvi) certain employment contracts and related matters; (xvii) employee benefit plans; (xviii) certain environmental matters; (xix) compliance with applicable laws; (xx) certain information with respect to the parties' respective subscribers and suppliers; (xxi) capital expenditures; (xxii) brokers' fees; (xxiii) the opinion of Arch's financial advisor regarding the fairness of the Merger to Arch stockholders, and (xxiv) the accuracy of certain information provided by each of the parties in connection with the various documents to be filed with the applicable regulatory authorities in connection with the Merger Agreement and the transactions contemplated thereby.

The representations and warranties in the Merger Agreement will not survive the closing under the Merger Agreement.

5. Certain Covenants and Agreements.

Except as otherwise contemplated by the Merger Agreement and Plan and, in the case of MobileMedia and Communications, except as otherwise required by "Bankruptcy-Related Requirements" as such term is defined in the Merger Agreement, Arch, MobileMedia, Communications and the Merger Subsidiary have agreed, among other things (a) to use their respective best efforts to consummate the Merger, (b) to work together to secure all necessary approvals of regulatory authorities to the Merger, (c) to maintain their respective regulatory licenses and authorizations and (d) to conduct their businesses in the ordinary course of business.

MobileMedia and Communications have further agreed to pay the net proceeds from the Tower Transaction pro rata to the holders of the Allowed Class 4 Claims and to comply with certain operating restrictions during the period from the date of the execution of the Merger Agreement until the earlier to occur of the Effective Date or earlier termination of the Merger Agreement, except as required by law or consented to by Arch. Among other operating restrictions, MobileMedia and Communications have agreed not to (i) except for assets not in excess of \$2,500,000, sell, lease, mortgage, pledge, encumber or dispose of any of their assets or acquire or dispose of any assets, other than in the ordinary course of business; (ii) except for permitted borrowings under the DIP Loan Agreement in an aggregate amount as computed under Section 4.5(a)(ii) of the Merger Agreement (which generally restricts borrowings in excess of amounts used for construction of the Debtors' narrowband PCS network plus, at any time before December 31, 1998, \$20 million, and, at any time after January 1, 1999 through June 30, 1999, \$30 million), create, incur or assume any indebtedness for borrowed money not currently outstanding (including obligations in respect of capital leases); assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for the obligations of any other person; or make any loans, advances or capital contributions to, or investments in, any other person; (iii) except for changes to their payroll program as previously disclosed to Arch, enter into, adopt or amend any employee benefit plan or severance agreements or arrangements, or (except for normal adjustments in the ordinary course of business) increase in any material respect the compensation or fringe benefits of, or modify the employment terms of their directors, officers or employees generally or pay any benefit not required by the terms of any existing employee benefit plan; (iv) change in any material respect their accounting methods, principles or practices, except insofar as may be required by a generally applicable change in GAAP; (v) pay any pre-petition liability other than liabilities in connection with the assumption of pre-petition contracts and with respect to wages, taxes, customer refunds and other related expenses that the Debtors are authorized to pay by the Bankruptcy Court and adequate protection payments and the net cash proceeds of the Tower Sale to the Pre-Petition Lenders; (vi) amend their certificates of incorporation, by-laws or other comparable organizational documents; (vii) sell, assign, transfer or license any material licenses, authorizations or intellectual property other than in the ordinary course of business; (viii) enter into, materially amend, terminate, take or omit to take any action that would constitute a material violation of or default under, or waive any material rights under, certain licenses, contracts or agreements (except, with the consent of Arch, in connection with entering into a transaction to replace the Tower Transaction); (ix) make or

commit to make any capital expenditure not set forth in the capital expense budget attached to the Merger Agreement; (x) (A) declare, set aside or pay any dividends on, or make any other distributions (whether in cash, securities or other property) in respect of, any of their outstanding capital stock (other than, with respect to a subsidiary of MobileMedia, to its corporate parent), (B) split, combine or reclassify any of their outstanding capital stock or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for shares of their outstanding capital stock, or (C) purchase, redeem or otherwise acquire any shares of outstanding capital stock or any rights, warrants or options to acquire any such shares; (xi) issue, sell, grant or pledge any shares of their capital stock, any other voting securities or any securities convertible into or exchangeable for, or any rights, warrants or options to acquire, any such shares, voting securities or convertible or exchangeable securities, other than upon the exercise of options, or upon the conversion or exchange of securities, outstanding on the date of the Merger Agreement; (xii) take any action or fail to take any action permitted by the Merger Agreement with the knowledge that such action or failure to take action would result in any of the representations and warranties of Communications set forth in the Merger Agreement becoming untrue in any material respect; (xiii) make any material tax election or settle or compromise any material tax liability or any pending or threatened suit or action other than consistent with the terms of the Plan or practice since the Petition Date; (xiv) establish, or transfer any assets to, a trust for purposes of funding any employee benefit plan, including, without limitation, a so-called "rabbi trust," except as required by applicable law; or (xv) agree in writing or otherwise to take any of the foregoing actions.

Arch has agreed to similar categories of covenants, which are contained in the Merger Agreement.

6. No Solicitation by the Debtors.

The Merger Agreement provides that, other than in connection with the Tower Transaction, the Debtors and each of their respective directors, officers, employees, financial advisors, representatives or agents may not directly or indirectly, solicit, initiate, engage or participate in or encourage discussions or negotiations with any person or entity (other than Arch) concerning any merger, consolidation, sale of material assets, tender offer for, recapitalization of or accumulation or acquisition of securities issued by any Debtor, proxy solicitation or other business combination involving any Debtor (collectively, "Debtor Acquisition Proposals"), or provide any non-public information concerning the business, properties or assets of any Debtor to any person or entity (other than to Arch and the Debtors' creditors in accordance with existing confidentiality arrangements). The Merger Agreement further obligates the Debtors immediately to notify Arch of any inquiries in connection with any Debtor Acquisition Proposals.

Notwithstanding the foregoing, if a third party other than Arch delivers to the Debtors an acquisition or business combination proposal superior to Arch's, the Debtors may, as required by bankruptcy law or the fiduciary duties of the Board of Directors of MobileMedia and Communications, participate in discussions or negotiations with such third party. The Debtors

have agreed, however, not to terminate the Merger Agreement until at least 48 hours after Arch's receipt of a copy of the third party's superior proposal.

Arch is subject to similar restrictions, which are contained in the Merger Agreement.

7. FCC Approval.

As discussed in Sections II.A.8 and IV.F.2, the transfer of licenses contemplated by the Merger is subject to the approval of the FCC. Arch and the Debtors have agreed jointly to prepare and file applications (the "FCC Applications") requesting the FCC's consent to the consummation of the Merger (i) to the transfer of the control of the Debtors' FCC authorizations to Arch and to the transfer of control of Arch's FCC authorizations from Arch's current shareholders to Arch's shareholders immediately following the Merger and (ii) to the termination of the hearing in WT Docket NO. 97-115, In the Matter of MobileMedia Corporation, et al. (the "Hearing") without any further findings adverse to the Debtors or to the Debtors' authorizations or otherwise materially affecting Arch's or the Reorganized Debtors' ability to own or operate the properties, assets and business of the Debtors following the Merger. Arch and the Debtors further have agreed to cooperate in taking all steps necessary to expedite the preparation, filing and prosecution of the FCC Applications and that, should any person or entity challenge the grant of any FCC Application before the FCC, they will take such reasonable actions as are necessary to oppose such petition or challenge before the FCC or defend such action and the order of the FCC before the judiciary diligently and in good faith. The Debtors have also agreed to allow Arch to participate in any meetings or hearings relating to the FCC Applications and a right to review in advance any correspondence, agreements, or pleadings that may be submitted by the Debtors to the FCC or any other party to the Hearing with regard to the FCC Applications.

8. Additional Agreements.

The Merger Agreement provides that each party to the agreement will (a) afford the other party and its representatives access to all of its respective facilities, properties, books, contracts, commitments and records and make available copies of all reports and other documents filed by such party with certain Federal or state governmental or regulatory authorities, (b) cooperate in the preparation and filing of the Registration Statement filed with the SEC, and to take any other actions required to be taken under applicable state blue sky or securities laws in connection with the Rights Offering, (c) take all actions required to file with the Federal Trade Commission and the United States Department of Justice the required notifications under the HSR Act with respect to the transactions contemplated by the Merger Agreement and to take any other actions to cause the waiting periods under the HSR Act to terminate or expire at the earliest possible date, (d) cooperate in the preparation and filing of all necessary documents, applications, notices, petitions and filings and use all reasonable efforts to obtain all necessary permits, consents, approvals and authorizations of all governmental or regulatory authorities and all other

third parties, necessary or advisable to consummate the transactions contemplated by the Merger Agreement, and (e) periodically provide updated financial information to the other.

In addition, each of the Debtors and Arch has agreed to notify the other promptly of any event or development that would (a) render any statement, representation or warranty in the Merger Agreement inaccurate or incomplete in any respect, or (b) constitute or result in a breach or failure to comply with any agreement or covenant in the Merger Agreement.

9. Employees and Employee Benefit Plans.

After the Merger, Arch and Reorganized Communications will control the hiring, retention and firing of the employees of Reorganized Communications. Subject to the requirements of all applicable laws and transition periods for certain plans, all Reorganized Communications employees will be transferred to Arch's employee benefit plans. Arch has agreed to honor all vacation accrued by the Debtors' employees, to honor the Debtors' 1998 Employee Incentive Program previously approved by the Bankruptcy Court and to give the Debtors' employees "credit" for their years of service with the Debtors in connection with Arch's employee benefit plans, to the extent permitted by applicable law.

10. Conditions to the Merger.

The Merger Agreement provides that the respective obligations of Arch, Merger Subsidiary, MobileMedia and Communications to effect the Merger are subject to the satisfaction or waiver of each of the following conditions: (i) the stockholders of Arch will have approved the proposals necessary to consummate the Merger; (ii) no statute, rule, order, decree or regulation will have been enacted or promulgated by any foreign or domestic governmental entity that prohibits the consummation of the transactions contemplated thereby and all consents, orders and approvals from all governmental entities and other persons or entities identified by Communications and Arch will have been obtained and will be in effect; (iii) there will be no order or injunction of a foreign or United States federal or state court or other governmental authority of competent jurisdiction in effect precluding, restraining, enjoining or prohibiting consummation of the transactions contemplated by the Merger Agreement; (iv) the expiration or early termination of any waiting period under the HSR Act will have occurred; (v) (1) the FCC shall have issued an order (the "FCC Grant") both (A) consenting to the transfer of the Debtors' FCC licenses and, to the extent requested by the parties, to the transfer of Arch's FCC licenses without any conditions that would result in a material adverse effect to Arch or the Debtors and (B) terminating the pending FCC hearing without any findings or conclusions (x) that are materially adverse to the Reorganized Debtors or that would have a material adverse effect on the use of the Debtors' FCC licenses by the Reorganized Debtors following the Effective Date, or (y) that impose any material monetary forfeiture on the Debtors or the Reorganized Debtors or retain jurisdiction to impose any material monetary forfeitures in the future on Arch or the Reorganized Debtors based on the activities of the Debtors prior to the Effective Date; and (2) either (A) the FCC Grant has become a Final Order (as defined below) or (B) any condition or conditions under

Arch's financing agreements related to the Merger to the effect that the FCC Grant shall have become a Final Order (or any condition or conditions therein having a substantially similar effect) shall have been satisfied or, if not satisfied, Arch's lenders shall have waived any such condition or conditions (or any such condition or conditions having a substantially similar effect); (vi) the Registration Statement has been declared effective and no stop order with respect thereto will be in effect; (vii) the Arch Common Shares to be issued as contemplated by the Plan and the Merger Agreement will have been approved for quotation on the Nasdaq National Market; (viii) (1) the Confirmation Order, in a form reasonably satisfactory to Arch, MobileMedia and Communications shall have been entered by the Bankruptcy Court; and (2) either (i) the Confirmation Order shall have become a Final Order (as defined below) or (ii) any condition or conditions under Arch's financing agreements related to the Merger to the effect that the Confirmation Order shall have become a Final Order (or any condition or conditions therein having a substantially similar effect) shall have been satisfied or, if not satisfied, waived; (ix) no action, suit or proceeding will be pending or threatened by any governmental entity challenging the validity of the actions taken by Arch, Communications or any of their respective subsidiaries in connection with the confirmation of the Plan; (x) the Effective Date will have occurred; and (xi) the stock to be issued as contemplated by the Merger Agreement will be so issued and distributed pursuant to the exemption from registration under the Securities Act provided by section 1145 of the Code, will be freely tradeable by holders thereof who are not then affiliates of Arch or "underwriters" under the Securities Act or section 1145(b)(1) of the Code and, except for certificates issuable to such affiliates or underwriters, will be represented by certificates bearing no restrictive legend.

The parties have agreed that the FCC Grant shall have become a "Final Order" when no request for a stay is pending, no stay is in effect and any deadline for filing such a request that may be designated by statute or regulation is past; no petition for rehearing or reconsideration or application for review is pending and the time for filing any such petition or application is passed; the FCC does not have the action or decision under reconsideration on its own motion and the time for initiating any such reconsideration that may be designated by statute or rule has passed; and no appeal is pending or in effect and any deadline for filing any such appeal that may be designated by statute or rule has passed. The parties have further agreed that the Confirmation Order shall become a "Final Order" when it has been in full force and effect for eleven days without any stay or material modification or amendment thereof, and when the time to appeal or petition for certiorari designated by statute or regulation has expired and no appeal or petition for certiorari is pending or, if an appeal or petition for certiorari has been timely filed or taken, the order or judgment of the tribunal has been affirmed (or such appeal or petition has been dismissed as moot) by the highest court (or other tribunal having appellate jurisdiction over the order or judgment) to which the order was appealed or the petition for certiorari has been denied, and the time to take any further appeal or to seek further certiorari designated by statute or regulation has expired.

The obligation of Arch to consummate the transactions to be performed by Arch in connection with the Merger is subject to the satisfaction, or waiver by Arch, of the following conditions: (i) the representations and warranties of MobileMedia and Communications contained

in the Merger Agreement, which representations and warranties will be deemed not to include any qualification or limitation with respect to materiality, will be true and correct as of the Effective Date, with the same effect as though such representations and warranties were made as of the Effective Date, except where the matters in respect of which such representations and warranties are not true and correct would not in the aggregate have a material adverse effect on the businesses, assets (including licenses, franchises and other intangible assets), financial condition, operating income and prospects of the Debtors, taken as a whole; (ii) each of MobileMedia and Communications will have performed or complied with its respective material agreements and covenants required to be performed or complied with under the Merger Agreement as of or prior to the Effective Date in all material respects; (iii) there will not have occurred between the date of the Merger Agreement and the Effective Date an event that has had a material adverse effect on the businesses, assets (including licenses, franchises and other intangible assets), financial condition, operating income and prospects of the Debtors taken as a whole; (iv) MobileMedia and Communications will have delivered to Arch a certificate (without qualification as to knowledge or materiality or otherwise) to the effect that the preceding conditions are satisfied in all respects; (v) after the Registration Statement (as defined in the Merger Agreement) has been declared effective, the Rights Offering will have expired and Arch will have received aggregate proceeds therefrom (and/or from the closings contemplated by the Standby Purchase Commitments) of \$217 million; and (vi) the closing of the Tower Transaction or a similar transaction will have occurred and Communications and MobileMedia will have paid at least \$165 million in net proceeds therefrom to the Pre-Petition Lenders.

The obligations of Communications and MobileMedia to consummate the transactions to be performed by them in connection with the Merger is subject to the satisfaction, or waiver by Communications and MobileMedia, of the following conditions: (i) the representations and warranties of Arch contained in the Merger Agreement, which representations and warranties will be deemed not to include any qualification or limitation with respect to materiality, will be true and correct as of the Effective Date, with the same effect as though such representations and warranties were made as of the Effective Time, except where the matters in respect of which such representations and warranties are not true and correct would not in the aggregate have a material adverse effect on the businesses, assets (including licenses, franchises and other intangible assets), financial condition, operating income and prospects of Arch and its subsidiaries, taken as a whole; (ii) Arch will have performed or complied with its material agreements and covenants required to be performed or complied with under the Merger Agreement as of or prior to the Closing in all material respects; (iii) there will not have occurred between the date of execution of the Merger Agreement and the Effective Date an event that has had material adverse effect on the businesses, assets (including licenses, franchises and other intangible assets), financial condition, operating income and prospects of Arch and its subsidiaries, taken as a whole; (iv) Arch's "poison pill" rights plan will not have been triggered; and (v) Arch will have delivered to Communications and MobileMedia a certificate (without qualification as to knowledge or materiality or otherwise) to the effect that such conditions are satisfied in all respects.

11. Termination.

The Merger Agreement provides that Arch and Communications may terminate the Merger Agreement prior to the Effective Date only as follows: (a) Arch and Communications may terminate the Merger Agreement by mutual written consent; (b) either Arch or Communications may terminate the Merger Agreement by giving written notice to the other in the event the other is in breach (i) of its representations and warranties contained in the Merger Agreement, which representations and warranties will be deemed not to include any qualification or limitation with respect to materiality, except where the matters in respect of which such representations and warranties are in breach would not in the aggregate have a material adverse effect on the business, assets (including licenses, franchises and other intangible assets), financial condition, operating income and prospects of such party and its respective subsidiaries, taken as a whole, or (ii) in respect of its material covenants or agreements contained in the Merger Agreement, and in either case such breach is not remedied within 20 business days of delivery of such written notice thereof (which notice will specify in reasonable detail the nature of such breach); (c) (i) after March 31, 1999, Arch may terminate the Merger Agreement by written notice to Communications if the Confirmation Order has not been entered by the Bankruptcy Court on or prior to such date (unless such failure results primarily from a breach by Arch of any representation, warranty or covenant contained in the Merger Agreement) or (ii) after June 30, 1999, Arch may terminate the Merger Agreement by giving written notice to Communications if the Merger will not have occurred on or before such date (unless the failure results primarily from a breach by Arch of any representation, warranty or covenant contained in the Merger Agreement); (d)(i) after March 31, 1999, Communications may terminate the Merger Agreement by written notice to Arch if the Confirmation Order has not been entered by the Bankruptcy Court on or prior to such date (unless the failure results primarily from a breach by Communications of any representation, warranty or covenant contained in the Merger Agreement) or (ii) after June 30, 1999, Communications may terminate the Merger Agreement by giving written notice to Arch if the Merger will not have occurred on or before such date (unless the failure results primarily from a breach by Communications of any representation, warranty or covenant contained in the Merger Agreement); (e) Communications may terminate the Merger Agreement if it has decided to pursue a Communications Superior Proposal (as defined in the Merger Agreement) by giving written notice to Arch, provided that on or before such termination Communications will have paid to Arch the Buyer Breakup Fee (as defined in the Merger Agreement); (f) Arch may terminate the Merger Agreement by giving written notice to Communications if the Provisional Order has not been entered by the Bankruptcy Court on or prior to September 4, 1998; (g) Communications may terminate the Merger Agreement by giving written notice to Arch if (i) the Arch Board does not issue the Arch Recommendation prior to the Special Meeting or withdraws or amends in a manner adverse to Communications the Arch Recommendation or otherwise materially breaches its obligations with respect to soliciting proxies from its stockholders for approval of the two necessary shareholder proposals to be considered at a special shareholder meeting or (ii) at this meeting either of the two necessary shareholder proposals is not approved by the requisite vote of Arch's stockholders; (h) Arch may terminate the Merger Agreement by giving written notice to Communications if Communications or any of its subsidiaries files either

an amendment to the Plan in a manner that is in violation of the Merger Agreement or files any other plan of reorganization; and (i) either the Debtors or Arch may terminate the Merger Agreement if (1) the Tower Transaction shall have been terminated in accordance with its terms, unless, prior to or simultaneously with such termination, the Debtors have entered into an agreement with a third-party purchaser providing for a sale to such third party of all or substantially all of the Tower Assets and which agreement results in net proceeds of not less than \$165 million or (2) the Tower Assets have not been sold for not less than \$165 million on or before December 31, 1998.

If any party terminates the Merger Agreement, all obligations of Arch and Communications thereunder will generally terminate without any liability of any party to any other party, except for any liability of any party for willful or intentional breaches of the Merger Agreement, and except for Communications's obligation to pay the Arch Breakup Fee (as defined in Section III.D.12), if applicable, and Arch's obligation to pay the Communications Breakup Fee (as defined in Section III.D.12), if applicable, which will survive any such termination.

12. Effect of Termination: Payment of Fees.

Pursuant to the terms of the Merger Agreement, on August 20, 1998, Communications filed the Initial Merger Motion seeking approval of the Bankruptcy Court for the breakup fees and the no solicitation provisions of the Merger Agreement. The Initial Merger Motion also sought Bankruptcy Court approval for the Debtors' agreement to pay Arch \$500,000 in partial reimbursement of Arch's expenses incurred in connection with the negotiation and execution of the Merger Agreement. The relief requested in the Initial Merger Motion is scheduled to be heard on September 1, 1998.

The Merger Agreement provides that in the event that (i) Arch terminates the Merger Agreement as a result of a material breach of a representation, warranty or covenant by Communications or as a result of the failure of the Confirmation Order to be entered on a timely basis due to the failure of the holders of Claims in Classes 4, 5 or 6 to vote in favor of the Plan, or due to the withdrawal or amendment of the Plan, or the filing of any other plan of reorganization by Communications, in either case without Arch's consent, (ii) Communications sells or otherwise transfers other than to Arch all or any substantial portion of its assets as part of a sale approved pursuant to section 363 of the Code, (iii) Communications has terminated the Merger Agreement in connection with a Communications Superior Proposal (as defined in the Merger Agreement) (each of the foregoing being a "Major Breakup Event"), or (iv) Arch or Communications terminate the Merger Agreement (as a result of the failure of the Tower Transaction or a comparable transaction to close _____) (a "Minor Breakup Event"; and, together with the Major Breakup Events, the "Breakup Events"), and at the time of any such Breakup Event Arch is not in material breach of any material covenant or obligation required to be performed by Arch thereunder at or before such time, and is not in breach of its representations and warranties contained in the Merger Agreement (except where the matters in respect of which such representations and warranties are in breach would not in the aggregate have a material

adverse effect on Arch), then Communications will pay to Arch as promptly as practicable after demand therefor (but in no event later than the third business day thereafter) (x) in the case of a Major Breakup Event, the amount of \$25.0 million, and (y) in the case of a Minor Breakup Event, an amount equal to one-half of any amount actually received by Communications pursuant to the Tower Agreement (or pursuant to any settlement in lieu thereof) (in either case, the "Arch Breakup Fee").

In the event that Communications terminates the Merger Agreement as the result of Arch being in material breach of its representations, warranties and covenants, the failure of the Arch Board to recommend to its shareholders proposals for the increase in Arch Capital Shares and for the issuance of Arch Capital Shares under and in connection with the Merger Agreement and the Plan, or the failure of such shareholder proposals to be approved at the Special Meeting, or Arch or Communications terminates the Merger Agreement as a result of Arch's failure to obtain the financing necessary to effect the transactions contemplated by the Merger Agreement and the Plan, and at the time of such termination Communications is not in material breach of any material covenant or obligation required to be performed by Communications thereunder at or before such time and is not in breach of its representations and warranties contained in the Merger Agreement (except where the matters in respect of which such representations and warranties are in breach would not in the aggregate have a material adverse effect on Communications), then Arch will pay to Communications as promptly as practicable after demand therefor (but in no event later than the third business day thereafter) the amount of \$32.5 million (the "Communications Breakup Fee").

E. Business of the Reorganized Debtors

Subsequent to the Effective Date, Reorganized Communications will be a wholly owned subsidiary of Arch. The Debtors and Arch have jointly prepared pro forma unaudited statements of operations, balance sheets and statements of cash flow (the "Combined Company Projections"), which are attached hereto as Exhibit E and discussed in Section VII, "Feasibility of the Plan". As noted in Section VII, the assumptions underlying these projections are subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the Debtors' and Arch's control. There generally will be a difference between projections of future performance and actual results because certain events and circumstances may not occur as expected. These differences could be material.

THE DEBTORS AND ARCH HAVE PREPARED THE PROJECTIONS ATTACHED AS EXHIBIT E TO THIS DISCLOSURE STATEMENT IN CONNECTION WITH THE PLANNING AND DEVELOPMENT OF THE PLAN. THE PROJECTIONS ASSUME THAT THE PLAN WILL BE SUCCESSFULLY IMPLEMENTED AND THE MERGER AGREEMENT WILL BE CONSUMMATED ON THE TERMS DESCRIBED IN THIS DISCLOSURE STATEMENT. THE PROJECTIONS, WHICH WERE PREPARED AS DESCRIBED THEREON, ARE SUBJECT TO BUSINESS, ECONOMIC AND OTHER

UNCERTAINTIES INHERENT IN DEVELOPING PROJECTIONS, AS DISCUSSED IN SECTION VII, "FEASIBILITY OF THE PLAN".

1. Projected Revenues.

The Debtors anticipate that, as subsidiaries of Arch subsequent to the Effective Date, the Reorganized Debtors will continue to provide paging services and products to their customers and otherwise operate their business in substantially the same manner as they currently do. Arch and the Debtors have projected that their pro forma net revenue will be approximately \$841.2 million for the year ending December 31, 1999, and that EBITDA will be approximately \$255 million for the year ended December 31, 1999. These numbers are exclusive of anticipated cost savings resulting from the business combination.

2. Projected Capital Expenditures.

The bulk of the pro forma combined projected capital expenditures relates to the purchase of new pagers and the construction and upgrading of network infrastructure, including construction of a portion of a narrowband PCS network. Capital expenditures for 1999 are currently estimated to aggregate approximately \$194 million. Subsequent to the Merger, Arch may undertake certain expenditures in connection with upgrading management information systems, improving order fulfillment operations and adding additional customer service centers. These projected capital expenditures will either be paid from internally generated funds or will be financed externally as Arch's financial position and existing indebtedness permit. The Debtors and Arch have estimated their projected capital expenditure requirements based on their projected needs, the change in historical costs and anticipated future costs.

3. Interest Expense.

As noted in Section IV.G.10, "High Degree of Leverage After the Merger", Arch currently is, and after the Merger will continue to be, highly leveraged. Subsequent to the Merger, Arch will have outstanding indebtedness for borrowed money of approximately \$1.3 billion (on a pro forma basis as of June 30, 1998). Arch's annual interest expense for 1999 is projected to be \$146 million.

F. General Description of Regulatory Matters Relating to the Plan

The discussions of regulatory matters contained in the following and other Sections of this Disclosure Statement describe certain actions that the Debtors (and Arch) have taken or will take to satisfy the regulatory conditions precedent to the effectiveness of the Merger Agreement and the Plan. The Debtors, however, reserve the right to take or seek such alternative and different actions or relief from that described herein as they may from time to time deem appropriate.

1. SEC Matters.

All securities distributed pursuant to the Plan (but excluding (a) the Rights, (b) the Arch Common Shares, the Arch Class B Common Shares and the Arch Warrants issuable upon exercise of the Rights or the Units issuable upon such exercise consisting of such Arch Common Shares or Arch Class B Common Shares and such Arch Warrants, and (c) the Arch Common Shares issuable upon exercise of such Arch Warrants and certain other Arch Warrants issued in connection with the Plan) will be entitled to the benefits and exemptions provided by section 1145 of the Code to the maximum extent allowed by law and equity. Section 1145 of the Code provides an exemption from registration under the Securities Act and state securities laws of the securities of a debtor or, among others, of a successor to a debtor under a plan, with exceptions for certain categories of holders. The Debtors believe that the securities that will be issued by Arch in connection with the Plan for which no registration statement is being filed qualify for the exemption provided for under section 1145. See Section V.I for a discussion of certain matters related to the ownership and resale of securities issued pursuant to the Plan.

2. FCC and State Regulatory Matters.

The Debtors intend to transfer their FCC licenses to the Reorganized Debtors and to merge with Merger Subsidiary pursuant to the Plan in accordance with the FCC's Second Thursday doctrine. FCC approval of the transfer of ownership of more than 50% of the equity securities of Arch is also necessary. On _____, 1998, the Debtors and Arch jointly filed their applications to transfer licenses and to consummate the Merger in accordance with the Second Thursday doctrine (collectively, the "Second Thursday Application"). It is a condition to effectiveness of the Plan that the FCC approves the transfer of the licenses and the Merger, thereby granting the Second Thursday Application, on terms that do not impair the feasibility of the Plan and permit the Plan and the Merger to be implemented and consummated.

G. Information Relevant to the Risks Posed to Creditors Under the Plan

The following is a summary of certain matters that should be considered, together with all other relevant matters, in connection with the Plan. This summary is not intended to be a complete list of important matters that persons voting on the Plan should consider. Because it is anticipated that subsequent to the Effective Date, the Reorganized Debtors will be wholly owned subsidiaries of Arch, and that holders of Allowed Class 6 Claims will receive under the Plan a substantial equity interest in Arch, certain of the matters addressed below relate exclusively to Arch. Holders of Voting Claims against the Debtors should analyze and evaluate the Plan and the other information set forth in this Disclosure Statement and in the Exhibits hereto with their respective advisors in determining whether to vote to accept or reject the Plan.

1. Risk of Delay or Non-Occurrence of the Confirmation Date and the Effective Date.

The Plan can only be confirmed if it complies with various legal requirements set forth in the Code and outlined below. Moreover, the occurrence of the Effective Date is subject to various conditions set forth in the Plan and in the Merger Agreement that must be satisfied or, in some instances, waived prior to the occurrence of the Effective Date. See Section V.C, "Conditions to Effectiveness of the Plan". There may be delay in satisfying the conditions to the occurrence of the Effective Date, and there is no assurance that these conditions will be met (or, as applicable, waived). Reference should be made to the Plan, to Article V of the Merger Agreement and to Section V.C for a description of these conditions.

2. Challenges of Business Integration.

There can be no assurance that the expectations regarding the future operations of Arch following the Merger will be fulfilled. The success of the Merger will depend in part on the ability of Arch to effectively integrate the businesses of Arch and the Reorganized Debtors. The process of integrating the businesses of Arch and the Reorganized Debtors may involve unforeseen difficulties and may require a disproportionate amount of time and attention of Arch's management and financial and other resources of Arch following the Merger. Although it is anticipated that the Merger will provide the opportunity for cost savings and efficiencies, there can be no assurance as to the timing or amount of cost savings or efficiencies that may ultimately be attained. Certain of the anticipated benefits of the Merger may not be achieved if the existing operations of Arch and the Debtors are not successfully integrated in a timely manner. The difficulties of such integration may initially be increased by the necessity of coordinating geographically separated organizations and integrating personnel with disparate business backgrounds and corporate cultures. There can be no assurance that Arch will be able to integrate effectively the Reorganized Debtors' operations or, even if integrated, that Arch's operating performance after the Merger will be successful. If Arch is not successful in integrating the Reorganized Debtors' operations, or if the integrated operations fail to achieve market acceptance, Arch could be materially adversely affected. In addition, following the Merger, the implementation of Arch's business strategy will be subject to numerous other contingencies beyond the control of Arch, including general and regional economic conditions, interest rates, competition, changes in regulation and the ability to attract and maintain skilled employees. As a result, no assurance can be given that the Merger will be successful or that Arch's business strategies will prove effective or that Arch will achieve its goals after the Merger.

3. Certain Risks Associated with Arch's Existing Debt and Contracts.

Arch is currently party to various contractual arrangements, including, without limitation, various contracts with governmental authorities, credit agreements and indentures and similar agreements, under which the consummation of the Merger and the other transactions contemplated by the Merger Agreement and the Plan could (a) result in a breach, violation,

default or conflict, (b) give other parties thereto rights of termination or cancellation or (c) have other adverse consequences for Arch. The magnitude of any such adverse consequences may depend upon, among other factors, the diligence and vigor with which other parties to such contracts may seek to assert any such rights and pursue any such remedies, and the ability of Arch to resolve such matters on acceptable terms. Under the indentures governing notes issued by Arch and its wholly owned subsidiary Arch Communications, Inc. ("ACI") having an aggregate principal balance of approximately \$719.5 million as of July 31, 1998, Arch and ACI would be obligated to offer to repurchase such notes at an aggregate principal amount of such notes, plus accrued and unpaid interest and liquidated damages, upon a change of control as defined therein. Arch believes that consummation of the Merger and the other transactions contemplated by the Merger Agreement and the Plan will not constitute such a change in control. Although it is expected that the foregoing matters will not have a material adverse effect on Arch, there can be no assurance that other parties will not allege that the Merger constitutes either a breach or default or a change in control of Arch.

4. Transaction Costs.

Arch estimates that it will incur direct transaction costs of approximately \$25 million associated with the Merger. This amount is a preliminary estimate only and is therefore subject to change. There can be no assurance that Arch will not incur significant additional charges to reflect costs associated with the Merger.

5. Substantial Amortization Charges.

A significant effect of the purchase accounting in connection with the Merger will be to record a substantial amount of goodwill and other intangible assets that will result in substantial amortization charges to the consolidated income of Arch over the useful lives of such assets. The incremental amount of such charges is estimated to be approximately \$45.6 million per year for approximately ten years. However, actual charges could vary significantly in the event the underlying assets are impaired or the related useful lives are less than currently estimated.

6. Growth and Acquisition Strategy.

Arch believes that the paging industry has experienced, and will continue to experience, consolidation due to factors that favor larger, multi-market paging companies, including (a) the ability to obtain additional radio spectrum, (b) greater access to capital markets and lower costs of capital, (c) broader geographic coverage of paging systems, (d) economies of scale in the purchase of capital equipment, (e) operating efficiencies and (f) enhanced access to executive personnel.

Each of Arch and the Debtors has pursued, and, if the Merger is consummated, Arch intends to continue to pursue, acquisitions of paging businesses as a key component of its